EVS

PRESS
RELEASE

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Regulated information – Press release first half 2020 results
EVS Broadcast Equipment S.A.: Euronext Brussels (EVS.BR), Bloomberg (EVS BB), Reuters (EVSB.BR)

EVS REPORTS FIRST HALF 2020 RESULTS
Supporting customers and remaining profitable through Covid-19 crisis

Financial performance
- Revenue in the first six months of the year, including Axon revenues from May 1st, amounts to EUR 39.6 million in 1H20, - 3.5% YoY (-4.8% compared to 1H19 excl. big event rentals) impacted by the COVID-19 crisis.
- 1H20 Revenues pre-acquisition of Axon amounts to EUR 37.8 million, -7.9% compared to 1H19 (-9.3% excl. big event rentals)
- Lower Operating expenses (-5% in 1H20 compared with 1H19), thanks to lower marketing, Travel expenses and provision for reduced variable bonus following COVID-19 crisis
- EBIT amounts to EUR 3,3 million in 1H20 (8.3% of revenues), which is -3.7% compared to 1H19
- Net profit amounts to EUR 3,3 million in 1H20, which is -11.5% compared to 1H2019.
- Strong cash position with net cash position of EUR 33,5 million and EUR 52.4 million of cash available.

Outlook
- Order intake June YTD: - 7,5% vs June 30th, 2019 (Excl Axon)
- Order book of EUR 45,8M€ on June 30, 2020 (incl. Axon) out of which:
  - EUR 19,6 million to be recognized in revenue in 2020 (-12,9 % YoY or -10,1% Excl. big event rentals)
  - EUR 13,5 million (excl. big events rentals) to be recognized in revenue in 2021 and beyond (+95,6% YoY)
  - EUR 12,7 million for big events rentals related to events postponed to 2021
- No revenue guidance given for 2020 amid COVID-19 uncertainties
- OPEX expected to increase YoY with mid-to-high single digit due to the acquisition of Axon expenses (and to decline YoY with mid-to-high single digit excluding Axon)

KEY FIGURES

EUR millions, except earnings per share expressed in EUR	Reviewed		
	1H20	1H19	1H20/1H19
Revenue	39,6	41,0	-3.5%
Gross profit	27,0	28,6	-5.5%
Gross margin %	68.2%	69.7%	-
Operating profit – EBIT	3,3	3,4	-3.7%
Operating margin – EBIT %	8.3%	8.3%	-
Net profit (Group share)	3,3	3,7	-11.5%
Basic earnings per share (Group share)	0,24	0,26	-9.8%

COMMENTS
Serge Van Herck, CEO comments the business development: *"These special times are of course impacting our business. After a good start of the year, we saw a slowdown in revenues and order intake in the second part of the semester. Still, we manage to have a strong total order book (for 2020 and beyond) increasing by 15% (excl. big event rentals) compared to the same period last year with orders covering large multi-year modernization projects.*
The sanitary situation also provides the opportunity to accelerate some existing development plans serving new customers' needs in terms of distant operations. The LSM-VIA, successfully launched at the end of May, will be a key enabler for remote production. We assist to a very positive adoption of the next generation of replay solution. While, during the crisis, we are continuing to offer the most demanding solutions for our LAB customers, with the live sports competition resuming, some of our LSP customers need additional equipment."

Concerning the COVID-19 situation, Serge Van Herck added: "*Our R&D teams are not structurally impacted in their productivity after a few weeks of adjustment of homeworking. Almost the entire company has been homeworking for 3.5 months, coming gradually back to the office by respecting the measures in place concerning health recommendations ".*

Commenting on the results and the outlook, **Yvan Absil, CFO**, said: *"Despite lower revenues and COVID-19 situation, we maintained our profitability at a similar level as last year, thanks to lower operational expenses. The COVID-19 crisis impacted negatively our working capital with high levels of inventory due to securitization of supplies planned before the crisis as well as high open receivables which we are discussing with some of our customers who have seen their revenues and cash income dropping to 95% at the height of the crisis. We maintain a strong cash position to weather these difficult times.*

EVS Market Dynamics and customer wins

The current market conditions remain challenging for the broadcast and media industry. Broadcasters and media companies benefit from strong audiences, but these can hardly be monetized due to the significant decrease of advertising revenues. LSP's are strongly affected by the current crisis even if there is a certain recovery with the restart of live sporting events.

Traction for remote production operations has significantly increased due to precautionary health measures with some customers leveraging key features of EVS workflows. EVS is accelerating the development of its solutions serving new customers' needs in terms of distant operations.

Some key wins:

- Newly acquired Cerebrum and Neuron systems to be deployed to Canal+ in Paris for control, monitoring and stream processing operations
- In EMEA, DYVI sold to AftonBladet (Swedish newspaper) & eSports facilities in WEU
- Major broadcast & media production centers deals confirming the acceleration of the adoption of EVS new VIA Platform leveraging IP based network (SMPTE 2110 protocol) and its new generation of live production asset management:
  - Major US media group broadcast center
  - 2 APAC large broadcast centers
  - 1 sports broadcast center in Benelux
  - 1 news broadcast center in Benelux
  - Studios of a large production company in WEU
  - WEU large parliament
- Important renewal project of a large US sport league center based on XT-VIA for 1080p & 4K.
- Large 4K upgrade and extension with a major player in China
- Deployment of X-One unified production system in Asia and Europe offering lean operation for premium broadcast quality standard

AXON acquisition update

With the addition of Axon technologies for AV processing, conversion, multiviewing, control and monitoring, EVS is significantly reinforcing and modernizing its global media infrastructure offering, enabling the consolidation of global footprint on the live video production market.

Axon results are consolidated in EVS financial statements as of May 1st 2020 presented here (see note 5.13).

Key first success points:

- Integration is progressing well. Excellent team spirit between team members from both sides with strong desire to win
- Some key deals for Axon products facilitated thanks to customer trust in EVS.
- First consolidated RFI answer provided a few days after M&A transaction has been completed
- EVS sales force to start selling new Media Infrastructure solutions, especially in the US market where Axon presence was low
- First quick win synergies already materialized in terms of purchasing and headcount.

Revenue in 1H20

In 1H20, EVS revenue, favorably impacted by currency fluctuation, reached EUR 39.6 million, a decrease of 3.5 % compared to 1H19.
At constant currency, revenue declined by 4.3% YoY and decreased by 5.7% excluding big event rentals.

Revenue – EUR millions	1H20	1H19	1H20/1H19
Total reported	39.6	41.0	-3.5%
Total at constant currency	39.3	41.0	-4.3%
Total at constant currency and excluding big event rentals	38.1	40.4	**-5.7%**

EVS revenues are impacted by the EUR/USD currency fluctuation and can have a significant impact on our results even if EUR/USD fluctuations also impact the cost of our US operations and our cost of goods sold.

In the first half of the year, (excl. big event rentals) LSP represented 43% of the revenues, LAB 57%.

Geographically, revenues (excl. big event rentals) are distributed in 1H20 as follows:

- Europe, Middle East and Africa (EMEA): EUR 18.2 million
- Americas (NALA): EUR 12.9 million
- Asia & Pacific (APAC) EUR 7.3 million

First half 2020 results

Consolidated gross margin was 68.2% for 1H20, compared to 69.7% in 1H19 due to inventory write offs and lower gross margin on Axon products. Operating expenses declined by 5,0% YoY following marketing and travel expenses reductions due to the COVID-19 crisis as well as lower provision for reduced variable bonuses. Excluding Axon operational expenses, OPEX declined -11.2% vs 1H19. The 1H20 EBIT margin was 8.3%, similar to last year. Income taxes are positive mainly due to the effect of the various tax incentives which are not directly correlated to the level of revenues. Group net profit amounted to EUR 3,3 million in 1H20, compared to EUR 3,7 million in 1H19. Basic net profit per share amounted to EUR 0,24 in 1H20, compared to EUR 0,26 in 1H19.

Staff

At the end of June 2020, EVS employed 532 people (FTE). This is an increase of 75 people compared to June 2019, as a result of the integration of Axon employees. The size of the workforce should remain stable in 2020.

Balance sheet and cash flow statement

EVS continues to have a strong balance sheet with net cash position of EUR 33.5 million with low debt level (of which EUR 12.9 million related to IFRS 16) resulting in a total equity representing 72.0% of the total balance sheet as of the end of June 2020.

Lands and building mainly include the new headquarters in Liège as well as the right of use for the offices abroad (IFRS16). Annual depreciation on this building is approximately EUR 2 million. Liabilities include EUR 20.7 million of financial debt (including long term and short-term portion of it), mainly relating to the lease liabilities following IFRS 16 implementation (EUR 12,9 million), to the debt taken to finance the acquisition of Axon (EUR 5.5 million) and to the HQ building (EUR 2.0 million). The company repays approximately EUR 4 million per year for the building and will pay EUR 1.1 million per year for the new loan related to the acquisition of Axon.

Inventories amount to EUR 24.9 million and include around EUR 2.3 million value of Axon equipment. The inventory also includes the equipment that were produced for the big events of 2020 which have been postponed to 2021. It also includes parts and products that have been ordered prior to the COVID crisis and delivered in 1H2020.

In the liabilities, long-term provisions include the provision for technical warranty on EVS products for labor and parts and the other amounts payables include the expected earn out liability for Axon and some customer advances received.

The net cash from operating activities amounts to EUR 8.5 million in 1H20 compared to EUR 4.4 million in 1H19. On June 30, 2020, cash and cash equivalents total EUR 54.2 million. This is a decrease compared to the end of 2019, following negative cash flows from investing activities and more specifically from the acquisition of Axon (EUR 9.6 million) partially offset by new proceeds from borrowings (EUR 5.5 million).

At the end of June 2020, there were 14,327,024 EVS shares outstanding, of which 665,511 were owned by the company. At the same date, 138,832 warrants were outstanding with an average exercise price of EUR 28.90 and a maturity of December 2022.

Share buyback update

On May 6, 2020, EVS announced the end of the 2018 Share buyback program, having purchased 528,684 shares at an average price of 18.9149. On May 6, 2020, EVS announced the launch of a new share buyback program of a maximum EUR 5 million. Between May 15, 2020 and June 30, 2020, EVS has bought 74,459 shares at an average price of EUR 15.4659, representing in total EUR 1,151,574. After aforementioned transactions the total number of own shares amounts to 665,511 shares as of June 30, 2020.

Corporate update

During last General Assembly on May 19th, Johan Deschuyffeleer has become director and chairman of the board. Johan brings more than 35 years of international experience in the ICT and technology sector.

2020 H2 outlook

The order book (to be recognized in revenue in 2020) on June 30, 2020 amounts to EUR 19,6 million, which is -12.9% compared to EUR 22,5 million last year at the same date (or -10,1 % excl. big events rentals). H2 orders mainly impacted by LSPs, probably due to COVID-19 effect.

In addition to this order book to be invoiced in 2020, EVS already has EUR 26,2 million of orders to be invoiced in 2021 and beyond (including EUR 12,7 million for 2021 big event rentals), which represents a increase of 279.7% (or 95.7% excluding big event rentals) compared to EUR 6.9 million at the same date last year.

Given the uncertainties related to the COVID-19 situation, the management does not provide any revenue guidance for the year 2020.
Excluding Axon, EVS expects operating expenses to decline YoY with mid-to-high single digit. With the integration of Axon OPEX, total 2020 OPEX is expected to increase YoY with mid-to-high single digit.

Conference call

EVS will hold a conference call in English today at 3.30 pm CET for financial analysts and institutional investors. Other interested parties may join the call in a listen-only mode. The presentation used during the conference call will be available shortly before the call on the EVS website.

Dial-in numbers: +44 20 7192 8501 (United Kingdom), +32 2 401 70 35 (Belgium), +1 917 720 0181 (United States)
Conference call ID: 9473804

Corporate Calendar:

October 1-8, 2020: Virtual IBC tradeshow at EVS
November 19, 2020: 3Q20 Trading updates

For more information, please contact:

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Forward Looking Statements
This press release contains forward-looking statements with respect to the business, financial condition, and results of operations of EVS and its affiliates. These statements are based on the current expectations or beliefs of EVS's management and are subject to a number of risks and uncertainties that could cause actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. These risks and uncertainties relate to changes in technology and market requirements, the company's concentration on one industry, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. EVS undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

About EVS
EVS is globally recognized as the leader in live video technology for broadcast and new media productions. Our passion and purpose are to help our clients craft immersive stories that trigger the best return on emotion. Through a wide range of products and solutions, we deliver the most gripping live sports images, buzzing entertainment shows and breaking news content to billions of viewers every day – and in real-time.
The company is headquartered in Belgium with around 530 employees in offices in Europe, the Middle East, Asia and North America, and provides sales and technical support to more than 100 countries. EVS is a public company traded on Euronext Brussels: EVS, ISIN: BE0003820371. For more information, please visit www.evs.com

Condensed Interim Consolidated financial statements

ANNEX 1: CONDENSED CONSOLIDATED INCOME STATEMENT

(EUR thousands)	Notes	1H20 Reviewed	1H19 Reviewed
Revenue	5.3	39,573	41,022
Cost of sales		-12,569	-12,436
Gross profit		**27,004**	**28,586**
Gross margin %		**68.2%**	**69.7%**
Selling and administrative expenses		-12,566	-13,992
Research and development expenses		-10,874	-10,677
Other income		65	92
Other expenses		-42	-138
Stock based compensation and ESOP plan		-298	-455
Operating profit (EBIT)		**3,289**	**3,415**
Operating margin (EBIT) %		**8.3%**	**8.3%**
Interest revenue on loans and deposits		8	18
Interest charges		-383	-263
Other net financial income / (expenses)	5.6	7	27
Share in the result of the enterprise accounted for using the equity method		37	111
Profit before taxes (PBT)		**2,960**	**3,309**
Income taxes	5.7	298	371
Net profit		**3,258**	**3,679**
Attributable to :			
Non controlling interest		-	-
Equity holders of the parent company		**3,258**	**3,679**

EARNINGS PER SHARE *(in number of shares and in EUR)*	1H20 Reviewed	1H19 Reviewed
Weighted average number of subscribed shares for the period less treasury shares	13,818,500	14,071,386
Weighted average fully diluted number of shares	13,818,500	14,071,386
Basic earnings – share of the group	**0.24**	**0.26**
Fully diluted earnings – share of the group (1)	**0.24**	**0.26**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousands)	1H20 Reviewed	1H19 Reviewed
Net profit	**3,258**	**3,679**
Other comprehensive income of the period		
Currency translation differences	7	16
Other increase/(decrease)	-3	3
Total of recyclable elements	**4**	**19**
Total comprehensive income for the period	**3,262**	**3,698**
Attributable to :		
Non controlling interest	-	-
Group share	3,262	3,698

(1) The diluted earnings per share are equal to the basic earnings per share as the 138,832 warrants outstanding at the end of June 2020 were not exercisable given the exercise prices were above the share price. The 138,832 warrants have an average maturity of December 2022.

ANNEX 2: CONDENSED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

ASSETS (EUR thousands)	Notes	June 30, 2020 Reviewed	Dec. 31, 2019 Audited
Non-current assets :			
Goodwill		3,893	1,125
Other intangible assets		7,596	173
Lands and buildings	5.11	53,024	49,365
Other tangible assets		5,141	4,344
Investment accounted for using equity method		1,458	1,421
Other long term amounts receivables		1,002	959
Deferred tax assets		8,927	6,570
Other financial assets		415	353
Total non-current assets		**81,455**	**64,309**
Current assets :			
Inventories		24,896	16,823
Trade receivables		30,120	36,582
Other amounts receivable, deferred charges and accrued income		5,022	6,071
Other financial assets		95	238
Cash and cash equivalents		54,199	59,010
Total current assets		**114,333**	**118,724**
Assets classified as held for sale	5.3.5	-	-
Total assets		**195,788**	**183,033**

EQUITY AND LIABILITIES (EUR thousands)	Notes	June 30, 2020 Reviewed	Dec. 31, 2019 Audited
Equity :			
Capital		**8,772**	**8,772**
Reserves		145,403	142,149
Treasury shares		-13,986	-9,927
Total consolidated reserves		**131,416**	**132,221**
Translation differences		774	767
Equity attributable to equity holders of the parent company		**140,962**	**141,761**
Non-controlling interest		**-**	**-**
Total equity	**5.4**	**140,962**	**141,761**
Long term provisions		1,379	1,636
Deferred taxes liabilities		1,500	19
Financial long term debts	5.11	13,780	6,070
Other long term debts		692	692
Non-current liabilities		**17,351**	**8,418**
Short term portion of financial debts	5.11	6,934	6,725
Trade payables		5,556	4,870
Amounts payable regarding remuneration and social security		5,923	8,302
Income tax payable		6,160	4,282
Other amounts payable, advances received, accrued charges and deferred income		12,902	8,675
Current liabilities		**37,474**	**32,855**
Total equity and liabilities		**195,788**	**183,033**

ANNEX 3: CONDENSED STATEMENT OF CASH FLOWS

	Notes	1H20 Reviewed	1H19 Reviewed
Cash flows from operating activities			
Net profit, group share		**3,258**	**3,679**
Adjustment for:			
- Other income		-4	-
- Depreciation and write-offs on fixed assets		2,985	2,696
- Stock based compensation and ESOP	5.4	298	455
- Provisions		-258	-544
- Income tax expense (+) / Gain (-)		-298	-371
-Interests expense (+) / Income (-)		367	218
-Share of the result of entities accounted for under the equity method		-37	-111
Adjustment for changes in working capital items:			
-Inventories		-5,968	-1,953
-Trade receivables		8,354	6,963
-Other amounts receivable, deferred charges and accrued income		-562	2
-Trade payables		-1,664	-285
-Amounts payable regarding remuneration and social security		-2,555	-618
-Other amounts payable, advances received, accrued charges and deferred income		2,459	-2,512
-Conversion differences		109	-67
Cash generated from operations		*6,484*	*7,552*
Income taxes paid	5.7	2,029	-3,134
Net cash from operating activities		**8,513**	**4,418**
Cash flows from investing activities			
Purchase of intangible assets		-38	-23
Purchase of tangible assets (lands and building and other tangible assets)		-4,647	-77
Disposal of tangible assets		-	-
Business acquisitions, net of cash acquired		-9,614	-
Other financial assets		-56	-15
Net cash used in investing activities		**-14,356**	**-114**
Cash flows from financing activities			
Reimbursement of borrowings	5.11	-2,025	-1,950
Proceeds from new borrowings		8,547	-
Payment of lease liabilities		-737	-1,302
Interests paid		-382	-266
Interests received		8	18
Dividend received from investee		-	-
Dividend paid - interim dividend		-	-
Dividend paid - final dividend		-	-6,646
Other allocation		-300	-393
Acquisition / sale of treasury shares	4, 5.4	-4,059	-3,412
Net cash used in financing activities		**1,052**	**-13,951**
Net increase / decrease in cash and cash equivalents		-4,790	-9,647
Net foreign exchange difference		-22	84
Cash and cash equivalents at beginning of period		**59,010**	**68,482**
Cash and cash equivalents at end of period		**54,199**	**58,919**

ANNEX 4: CONDENSED STATEMENT OF CHANGE IN EQUITY

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, group share	Non-controlling interest	Total equity
Balance as at January 1, 2019 (reported)	**8,772**	**136,601**	**-4,750**	**713**	**141,336**	**-**	**141,336**
Change in accounting policies		-46			-46		-46
Balance as at January 1, 2019 (restated)	**8,772**	**136,555**	**-4,750**	**713**	**141,290**	**-**	**141,290**
Total comprehensive income for the period		3,682		16	3,698		3,698
Acquisition of non-controlling interest							-
Share-based payments		455			455		455
Acquisition/sale of treasury shares			-3,434		-3,434		-3,434
Final dividend		-6,646			-6,646		-6,646
Interim dividend							-
Other allocation		-393			-393		-393
Balance as per June 30, 2019	**8,772**	**133,654**	**-8,184**	**728**	**134,971**	**-**	**134,971**

(EUR thousands)	Capital	Reserves	Treasury shares	Currency translation differences	Equity, group share	Non-controlling interest	Total equity
Balance as at January 1, 2020 (reported)	**8,772**	**142,149**	**-9,927**	**767**	**141,761**	**-**	**141,761**
Total comprehensive income for the period		3,255		7	3,262		3,262
Acquisition of non-controlling interest							-
Share-based payments		298			298		298
Acquisition/sale of treasury shares			-4,059		-4,059		-4,059
Final dividend		-			-		-
Interim dividend							-
Other allocation		-300			-300		-300
Balance as per June 30, 2020	**8,772**	**145,403**	**-13,986**	**774**	**140,962**	**-**	**140,962**

ANNEX 5: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5.1: BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of EVS Group for the 6 month-period ended June 30, 2020, are established and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union. The accounting framework and standards adopted by the European Commission can be accessed through the following link on the website: http://ec.europa.eu/finance/company-reporting/index_en.htm. The condensed interim financial statements of the Group for the 6 month-period ended June 30, 2020 were authorized for issue by the Board of Directors on August 24, 2020. This interim report only provides an explanation of events and transactions that are significant to an understanding of the changes in financial position and reporting since the last annual reporting period and should therefore be read in conjunction with the consolidated financial statements for the financial year ended on December 31, 2019.

NOTE 5.2: SIGNIFICANT ACCOUNTING POLICIES AND METHODS

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the IASB, and as adopted by the EU. The accounting policies and methods adopted for the preparation of the Company's IFRS consolidated financial statements are consistent with those applied in the 2019 consolidated financial statements. The Company's IFRS accounting policies and methods are available in the 2019 annual report on www.evs.com, except for the new, amended or revised IFRS standards and IFRIC Interpretations that have been adopted as of January 1, 2020 which are listed hereunder:

- IBOR reform Phase 1 amendments – effective 1 January 2020
- IFRS 3 amendments – effective 1 January 2020
- IFRS 16 amendment – effective 1 June 2020
- New materiality definition – effective 1 January 2020
- Updated references to the Conceptual Framework – effective 1 January 2020

The adoption of these new, amended or revised pronouncements did not have significant impact on the consolidated financial statements of the Group.

NOTE 5.3: SEGMENT REPORTING

From an operational point of view, the company is vertically integrated with the majority of its staff located in the headquarters in Belgium, including the R&D, production, marketing and administration departments. This explains why the majority of the investments and costs are located at the level of the Belgian parent company. The foreign subsidiaries are primarily sales and representative offices. The Chief Operating Decision Maker, being the Executive Committee, reviews the operating results, operating plans, and makes resource allocation decisions on a company-wide basis. Revenue related to products of the same nature (digital broadcast production equipment) are realized by commercial polyvalent teams. The company's internal reporting is the reflection of the above-mentioned operational organization and is characterized by the strong integration of the activities of the company.

By consequence, the company is composed of one segment according to the IFRS 8 definition, and the consolidated income statement of the group reflects this unique segment. All long-term assets are located in the parent company EVS Broadcast Equipment SA in Belgium.

The company provides only one type of solution: solutions based on tapeless workflows with a consistent modular architecture. This is the product of EVS. There are no other significant classes of business, either singularly or in aggregate. Indeed, identical modules can meet the needs of different markets. Our customers themselves are often multi-markets. Providing information for each module is therefore not relevant for EVS.

At the geographical level, our activities are divided into the following regions: Asia-Pacific ("APAC"), Europe, Middle East and Africa ("EMEA"), and America ("NALA"). This division follows the organization of the commercial and support services within the group, which operate worldwide. A fourth region is dedicated to the worldwide events ("big event rentals").

The company provides additional information with a presentation of the revenue by market pillar: "Live Service provider", "Live Audience Business" and "big event rentals" for rental contracts relating to the big sporting events.

Finally, sales are presented by nature: systems and services.

5.3.1. Information on revenue by destination

Revenue can be presented by Market Pillar: "Live Service provider", "Live Audience Business" and "Big event rentals". Maintenance and after sale service are included in the complete solution proposed to the clients.

Revenue (EUR thousands)	1H20	1H19	% 1H20/ 1H19
Live Audience Business	21,996	19,650	+11,9%
Live Service Provider	16,436	20,784	-20,9%
Big event rentals	1,141	588	-94.1%
Total Revenue	**39,573**	**41,022**	**-3.5%**

The above presentation includes the latest and refined classification of our customers by market pillar for both 2019 and 2020.

5.3.2. Information on revenue by geographical information

Activities are divided by three regions: Asia-Pacific (“APAC”), Europe, Middle East and Africa (“EMEA”), and “Americas”. Aside of them, we also identify the “big event rentals”.

Revenue for the YTD period (EUR thousands)	APAC excl. events	EMEA excl. events	Americas excl. events	Big event rentals	TOTAL
1H20 revenue	7,324	18,178	12,930	1,141	39,573
Evolution versus 1H19 (%)	-16.1%	-0.8%	-3.4%	+94.1%	-3.5%
Variation versus 1H19 (%) at constant currency	-16.1%	-0.8%	-5,7%	+94.1%	-4,3%
1H19 revenue	**8,732**	**18,319**	**13,383**	**588**	**41,022**

Revenue realized in Belgium (the country of origin of the company) with external clients represent less than 5% of the total revenue for the period. In the last 6 months, the group realized significant revenue with external clients (according to the definition of IFRS 8) in one country: The United States (Americas, EUR 11.1 million).

5.3.3. Information on revenue by nature

Revenue can be presented by nature: systems and services.

Revenue (EUR thousands)	1H20	1H19	% 1H20/ 1H19
Systems	33,154	34,586	-4.1%
Services	6,419	6,436	-0.3%
Total Revenue	**39,573**	**41,022**	**-3.5%**

Services include the advices, installations, project management, training, maintenance, and distant support.

5.3.4. Information on important clients

Over the last 12 months, no external client of the company represented more than 10% of the revenue.

5.3.5 Other income and assets held for sale

At the end of June 2020, there were no Assets held for sale anymore.

NOTE 5.4: EQUITY SECURITIES

The number of treasury shares has changed as follows during the period, together with the outstanding warrants:

	2020	2019
Number of own shares at January 1	**400,180**	**151,724**
Acquisition of own shares on the market	281,611	181,284
Sale of own shares on the market	-	-
Allocation to Employees Profit Sharing Plans	-16,280	-14,496
Sale related to Employee Stock Option Plan (ESOP) and other transactions	-	-
Number of own shares at June 30	**665,511**	**318,512**
Outstanding warrants at June 30	**138,832**	**178,916**

In 1H20, the company repurchased 281,611 shares on the stock market (under a share buyback program started on October 25, 2018 and May 6, 2020). No shares were used to satisfy the exercise of warrants by employees. The Ordinary General Meeting of shareholders of May 19, 2020 approved the allocation of 16,280 shares to EVS employees (grant of 54 shares to each staff member in proportion to their effective or assimilated time of occupation in 2019) as a reward for their contribution to the group successes. The expense related to this profit-sharing plan amounts to EUR 0.3 million and has been recorded under the caption “Stock based compensation and ESOP plan”. As a consequence, at the end of June 2020, the company owned 665,511 own shares at an average historical price of EUR 21.02. At the same date, 138,832 warrants were outstanding (no grant, no exercise and 167 cancellations in 1H2020) with an average strike price of EUR 28.90 and an average maturity of December 2022.

NOTE 5.5: DIVIDENDS

The Ordinary General Meeting of May 19, 2020 approved the payment of a total gross dividend of EUR 0.50 per share, including the interim dividend of EUR 0.50 per share paid in November 2019, leading to no final gross dividend.
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(EUR thousands)	# Coupon	2020	2019
- Final dividend for 2018 (EUR 0.50 per share less treasury shares)	28	-	6,646
- Interim dividend for 2019 (EUR 0.50 per share less treasury shares)	29	6,914	-
Total paid dividends		**6,914**	**6,646**

NOTE 5.6: OTHER NET FINANCIAL INCOME / (EXPENSES)

(EUR thousands)	1H20	1H19
Exchange results from statutory accounts	-29	1,039
Exchange results relating to IFRS consolidation methodology	89	-1,034
Other financial results	-52	22
Other net financial income / (expenses)	**7**	**27**

The functional currency of EVS Broadcast Equipment S.A. as well as all of the subsidiaries is the euro, except for the American EVS Inc. subsidiary, whose functional currency is the US dollar. The presentation currency of the consolidated financial statements of EVS Group is the euro. For more information on exchange rates, see also the note 5.9.

NOTE 5.7: INCOME TAX EXPENSE

Reconciliation of the tax charge

The effective tax charge of the group obtained by applying the effective tax rate to the pre-tax profit of the group, has been reconciled for the two periods with the theoretical tax charge obtained by applying the theoretical tax rate:

(EUR thousands)	1H20	1H19
Reconciliation between the effective tax rate and the theoretical tax rate		
Reported profit before taxes, share in the result of the enterp. accounted for using the equity method	2,923	3,197
Reported tax charge based on the effective tax rate	298	371
Effective tax rate	**-10.2%**	**-11.6%**
Reconciliation items for the theoretical tax charge		
Tax effect of the reversal of a debt	-	-
Tax effect of deduction for notional interests	-	-
Tax effect of non-deductible expenditures	114	197
Tax effect due to the usage of tax losses	-81	-48
Tax effect on R&D investment deductions	-617	-625
Tax effect on innovation deduction	-772	-1,438
Tax effect of overvaluations and undervaluations related to prior years	700	-
Other increase / (decrease)	-451	866
Total tax charge of the group entities computed on the basis of the respective local nominal rates	-809	-677
Theoretical tax rate	**27.7%**	**21.2%**

NOTE 5.8: HEADCOUNT

(in full time equivalents)	At June 30
2020	532
2019	457

Variation	*+16%*

NOTE 5.9: EXCHANGE RATES

The main exchange rate that influences the consolidated financial accounts is USD/EUR which has been taken into account as follows:

Exchange rate **USD / EUR**	**Average 1H**	**At June 30**
2020	1.1024	1.1198
2019	1.1298	1.1380
Variation	*+2.5%*	+1.6%

For 1H20, the average US dollar exchange rate against the Euro increased by 2.5%.

NOTE 5.10: FINANCIAL INSTRUMENTS

The estimated fair values of the financial assets and liabilities are equal to their fair book values in the balance sheet.

Periodically, EVS measures the group's anticipated exposure to transactional exchange risk over one year, mainly relating to the EUR/USD risk. Given the group has a "long" position in USD and based on revenue forecasts, EVS hedges future USD net in-flows by forward foreign exchange contracts. The change in the fair value of the forward foreign exchange contracts goes directly through the income statement (other financial results) because the Group does not apply hedge accounting on these transactions. The valuation techniques used are mainly based on spot rates, forward rates and interest rate curves.

On June 30, 2020, the group holds USD 5 million in forward exchange contracts, with an average maturity date of December 2020, and an average exchange rate of EUR/USD of 1.1029 and GBP 0.2 million in forward exchange contracts, with an average maturity date of December 2020, and an average exchange rate of GBP/USD of 1.2295. The fair value of those financial instruments on June 30, 2020 amounts to EUR +0.1 million.

NOTE 5.11: FINANCIAL DEBT

In order to partially finance its new HQ and operating facilities, EVS has drawn down a total of EUR 30 million loans. EVS already started to pay these loans down, and will gradually do so until 2020, with annual installments of EUR 5.2 million. In 4Q16, EVS took advantage of the low interest rates to re-organize (with no change of the total amount and at no cost) and simplify some of its credit lines in relation with the financing of the new headquarter. As a result, it now has three credit lines of EUR 5.4 million with Belfius, ING and BNP Paribas Fortis, all maturing in 2020. During 1H20, EVS did reimburse EUR 2 million.

On June 16, 2020, a new loan of EUR 5.5 million has been negotiated with BNP Paribas Fortis in order to partially finance the acquisition of Axon. The repayment schedule foresees a first repayment of EUR 0.6 million in the last quarter of 2020 and annual installments of EUR 1.1 million between 2021 and 2024 with a final repayment of EUR 0.6 million in 2025 when the loan will mature.

On June 29, 2020, a roll over credit line of EUR 5.0 million has been negotiated with Belfius bank in order to partially finance the acquisition of Axon. This amortizing credit line will end at the latest on 30/06/2024. As of this date, EVS has not used this credit facility.

NOTE 5.12: PENSION PLANS

The employees of EVS Broadcast Equipment SA benefit from a group insurance. In this context, EVS makes a contribution for each employee to the insurance companies. EVS benefits from a minimum return guaranteed by the insurance companies which set up the plans, and this until December 31, 2016 (minimum return requirement of the contributions, as required by law).

However, on December 18, 2015, the Belgian legislation has been updated and clarification was provided on the minimum guaranteed rate of return. Before December 31, 2015, the minimum guaranteed rate of return on employer and participant contributions were 3.25% and 3.75% respectively. From 2016 onwards, the rate decreased to 1.75% and is annually recalculated based on a risk free rate of 10-year government bonds. According to IAS19, Belgian-defined contribution plans that guarantee a specified return on contributions should be assimilated to defined benefit plans, as the employer is not responsible for the contribution payments, but has to cover the investment risk until the legal minimum rates applicable. The returns guaranteed by the insurance companies are in most cases lower than or equal to the minimum return guaranteed by law. As a result, the Group has not fully hedged its return risk through an insurance contract and a provision needs to be accounted for. The plans at EVS are financed through group insurance contracts. The contracts are benefiting from a contractual interest rate granted by the insurance company. When there is underfunding, this will be covered by the financing fund and in case this is insufficient, additional employer contributions will be requested.

This analysis is done annually and recognized in the profit and loss account, if necessary. More information can be found in the note 6.4 of the 2019 annual report.

NOTE 5.13: BUSINESS COMBINATION – ACQUISITION OF AXON

In a transaction closed on 30 April 2020, the Company acquired 100% of the shares of Axon Investments B.V. (“Axon”). With development centers in the Netherlands and the UK, and more than 80 team members, Axon has an international presence in the live broadcast infrastructure market, including mobile trucks and data centers, and a product portfolio that complements EVS’s existing live production offering.
This transaction qualifies as a business combination in accordance with IFRS 3 and is thus accounted for by applying the acquisition method. As the acquisition date (30 April 2020) occurred only 2 months before the reporting date, the amounts reported below have been determined on a provisional basis.
The consideration transferred by the Company to acquire Axon includes:

- A cash amount of EUR 11,6 million paid at closing date;
- A final working capital adjustment for an estimated amount of EUR 0,7 million that has been recognized as a liability at the reporting date and that will be paid to the sellers before the end of September 2020; and
- A contingent consideration ranging between EUR -0,5 million (reverse earn-out to be paid back by the sellers) and maximum EUR 2,5 million (earn-out to be paid by the Company) depending on the gross margin realized by Axon over the period 1 January 2020 to 31 January 2021.

The fair value of the contingent consideration amounts to EUR 0,9 million at acquisition date and has not changed at the reporting date. The fair value categorized as level 3 has been estimated on the basis of a model in which the possible outcomes are probability-weighted. The unobservable input to which this fair value measurement is most sensitive is the estimated amount of Axon’s gross margin over the reference period. Depending on the actual level of Axon’s gross margin, the Company is exposed to a future income statement impact ranging between a loss of EUR 1,6 million (in case the maximum earn-out is reached) and a gain of EUR 1,4 million (in case of reverse earn-out).
The provisional amounts recognized with respect to identifiable assets acquired and liabilities assumed, as well as the consideration transferred and the resulting provisional amount of goodwill and net cash flow effect at acquisition date are as set in the table below:

(EUR thousands)	
Intangible asset - Technology	2,486
Intangible asset – Customer- related	5,107
Deferred tax assets	1,316
Other non-current assets	341
Accounts receivable	2,133
Inventories	2,302
Cash and cash equivalents	1,956
Other current assets	46
Total assets	***15,687***
Deferred tax liabilities	-1,582
Accounts payable	-3,478
Other liabilities	-242
Total liabilities	***-5,302***
Net assets acquired	**10,385**
Consideration paid in cash at acquisition date	11,570
Estimated final working capital adjustment	658
Fair value of contingent consideration (earn-out)	926
Total consideration	***13,153***
Goodwill	2,768
Cash outflow net of cash and cash equivalents	9,614

The provisional goodwill amounting to EUR 2,8 million consists of expected market synergies from the combination of Axon and EVS as well as the skilled workforce of Axon, which both do not qualify for separate recognition as intangible assets. Goodwill is not expected to be deductible for tax purposes.
The fair value of accounts receivable as reported in the table above corresponds to the gross contractual amounts receivable considering that the sellers are obliged to indemnify the Company for any amount receivable that is not fully collected within 180 days after the acquisition date.

Since the acquisition date on 30 April 2020 Axon contributed EUR 1,8 million to revenue and EUR -0,5 million to net profit in the consolidated income statement for the 6 month-period ended 30 June 2020.
If the acquisition of Axon had been completed on 1 January 2020, the consolidated Group's revenue and net profit for the 6 month-period ended 30 June 2020 would have been EUR 46,5 million and EUR 3,9 million respectively.
The acquisition-related costs amounting to EUR 0,2 million have been immediately expensed as incurred and are presented under the caption "Selling and administrative expenses" in the income statement.

NOTE 5.14 SUBSEQUENT EVENTS

Under the share buyback program started on May 06, 2020, the company has continued to acquire EVS shares in 1H20. Regular updates are published on the EVS website.
There were no other subsequent events that may have a material impact on the balance sheet or income statement of EVS.

NOTE 5.15: RISK AND UNCERTAINTIES

Investing in the stock of EVS involves risks and uncertainties. The risks and uncertainties relating to the remainder of the year 2020 are similar to the risks and uncertainties that have been identified by the management of the company and that are listed in the management report of the annual report (available at www.evs.com).

NOTE 5.16: RELATED PARTIES TRANSACTIONS

Report of the statutory auditor on the accounting data presented in the semi-annual communiqué of EVS Broadcast Equipment SA

We have compared the accounting data presented in the semi-annual communiqué of EVS Broadcast Equipment SA with the Interim Condensed Consolidated Financial Statements as at June 30, 2020, which show a balance sheet total of K€ 195.788 and net income (group share) for the period of K€ 3.258. We confirm that these accounting data do not show any significant discrepancies with the Interim Condensed Consolidated Financial Statements.

We have issued a review report on these Interim Condensed Consolidated Financial Statements, in which we declare that, based on our review, nothing has come to our attention that causes us to believe that these Interim Condensed Consolidated Financial Statements are not prepared, in all material aspects, in accordance with IAS 34 Interim Financial Reporting, as adopted for use in the European Union.

Without qualifying our review opinion, we draw your attention to the disclosures of the Interim Condensed Consolidated Financial Statements with regards to the consequences on the result of the Group of the measures taken relating to the Covid-19 virus. The continuous evolution around the Covid-19 virus creates an important uncertainty. The impact of these developments on the Group is disclosed in the notes to Interim Condensed Consolidated Financial Statements.

Liège, August 26, 2020

EY Réviseurs d'Entreprises SRL
Statutory auditor
represented by

Marie-Laure Moreau*
Partner
* Acting on behalf of a SRL

Ref.: 21MLM0033

Certification of responsible persons

Serge Van Herck & CEO*
Yvan Absil, CFO**

Certify that, based on their knowledge,

a) the condensed financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, fairly present in all material respects the financial condition and results of operations of the issuer and the companies included in the consolidation,
b) the Directors' report fairly presents the important events and related parties transactions of the first six months of 2018, including their impact on the condensed financial statements, and a description of the existing risks and uncertainties for the remaining months of the fiscal year.

* acting on behalf of a BV
** acting on behalf of a SRL